

265—39.6 (16) Minimum requirements. A recipient shall meet the following threshold criteria:

39.6(1) Any housing activity must be consistent with the purpose and eligibility requirements and the consolidated plan.

39.6(2) The recipient shall have the capacity to administer the proposed activity. Documentation of the ability of the recipient to provide technical services and of the availability of certified lead professionals and contractors either trained in safe work practices or certified as abatement contractors may also be required as applicable to the housing activity.

39.6(3) and **39.6(4)** Reserved.

39.6(5) After all other financial resources have been identified and secured for the proposed activity, a need for the HOME funds must exist.

39.6(6) The recipient must certify that the recipient will comply with all applicable state and federal laws and regulations.

39.6(7) If the recipient's project is located in a locally designated participating jurisdiction (PJ), the recipient must show evidence of a financial commitment from the local PJ at least equal to 25 percent of the total HOME funds requested. Sources of a local PJ financial commitment could include one or more of the following: HOME, CDBG, TIF, tax abatement, or general funds. This requirement is waived for awards made during federal HOME program year 2010 (October 1, 2009 – September 30, 2010).

39.6(8) Home ownership assistance activity must indicate that recipients will require the beneficiaries of their home ownership assistance activity to use a principal mortgage loan product that meets the following criteria:

a. With the exception of Habitat for Humanity principal mortgage loan products, the principal mortgage loan must be the only repayable loan in all individual home ownership assistance projects.

b. The HOME assistance may be recorded in junior position to the principal mortgage loan, but must be recorded in senior position to any and all other funding in all home ownership assistance projects. Recipients must maintain their assistance security agreements in the above-stated recording position throughout the applicable period of affordability and will not be allowed to subordinate the required recording position to any other forms of assistance, such as home equity loans.

c. Any mortgage lending entity's principal mortgage loan products may be used provided they meet all of the following minimum requirements:

(1) Loan interest rates may be no higher than four percentage points above the federal prime interest rate at the time of loan closing;

(2) Loan terms will include an 80 percent or higher loan-to-value ratio;

(3) No less than a 15-year, fully amortized, fixed-rate mortgage may be used; and

(4) No adjustable rate mortgages or balloon payment types of mortgages will be allowed.

d. Recipients are encouraged but not required to have the beneficiaries of their home ownership assistance activity utilize a principal mortgage loan product offered by one of the following: Iowa Finance Authority; USDA-Rural Development; Federal Home Loan Bank; HUD (including FHA and VA); Habitat for Humanity; Fannie Mae; or Freddie Mac.

39.6(9) Home ownership assistance activity shall be for first-time home buyers only, and the assisted unit must remain as the assisted home buyer's principal residence throughout the required period of affordability.